

Congressman Jack Kingston  
Testimony before the House Agriculture Committee  
Proposed Tobacco Buyout  
July 24, 2003

Mr. Chairman, I would like to thank you for your time today and for your leadership in allowing me to testify before your committee. I appreciate the interest that the committee members have shown in a proposed tobacco buyout and I hope a result of this hearing the proposed buyout will become a reality.

Mr. Chairman, I represent a large portion of rural South Georgia encompassing 29 counties. Tobacco is grown in 22 of these counties and had a total farm gate value of over \$69 million last year alone. This goes to show how extremely important tobacco production has been, and continues to be, in my district.

Tobacco farmers in these rural counties are the economic stimulus in most of the local communities. When these farmers have a bad year, much like the last 5 years, every man, woman, and child in the county suffers from the impact. Therefore, obtaining a tobacco buyout has become one of my top priorities.

Many have asked why these farmers and quota owners deserve a buyout...why should the federal government pay them? Let me share with the committee a few of their stories.

In 1998, Rocky Thompson, a farmer in South Georgia, had 700,000 quota pounds that he bought and he rented an additional 300,000 pounds. When the 1998 quota cut came about, the quota pounds purchased by Mr. Thompson declined greatly. This year, he has 342,000 of the pounds that he bought and rents an additional 288,000. Today he is still paying for quota pounds that he purchased back in 1998 that no longer exist. In addition, he had purchased equipment to mechanically harvest a tobacco crop. This equipment is extremely specialized and used only for tobacco crops. With the quota cuts and the decrease in his poundage, Mr. Thompson is still paying for equipment not utilized and of no resale value because everyone else faces the same problem. The same scenario applies to tobacco barns, which were retrofitted in 2001 at a cost of \$1,800 to \$5,500 per barn, at the

request of tobacco companies. Many of those barns are no longer in use, but again, there is no other use for them and Mr. Thompson is still paying for them. Every time quotas are cut, income is slashed while expenses stay the same. Those farmers who invested their earnings in additional quota and equipment to become more successful and efficient watched their operations become inefficient.

To get an operating loan from the bank, Junior McGee, a farmer in Berrien County, must have a large amount of quota pounds. With the continuing quota cuts, he has to plant tobacco in four different counties and travel long distances to produce a crop. This makes his production cost increase more and more but he has no other alternative if he requires an operating loan from the bank to keep farming. To add to the frustration, farmers must scramble to rent quota poundage by outbidding their neighbors. With such reduced amounts of quota available, someone loses every time and has no other option except to quit growing.

Mr. Chairmen, I could tell the stories of numerous farmers in my district...but they would all be strikingly similar to Mr. Thompson and Mr. McGee. To many the difference in a buyout on '98 quota and '02 quota is just a bunch of numbers. To these men, and their families, 1998 and 2002 represent the difference in being able to support their families or having to sell the farm...and still be in debt.

We all know there are several tobacco buyout bills offered by some of my colleagues. There are portions of each bill that I support. I would like to emphasize first and foremost, it is vital that we give our quota holders and growers a \$8.00/\$4.00 buyout. This is in every bill offered thus far and I think all interested parties agree on these numbers. The next issue that is of great concern is which quota level to use for the buyout.

Continuous importing of tobacco and quota cuts simply crushes the American farmer. Last year alone, flue-cured tobacco acreage in Georgia was 26,500 acres – down from 43,000 acres in 1997. The acreage decreases were due to another decline in basic flue-cured quota and represent a significant reduction in farm income.

Tobacco ranks third in single crop income in Georgia. With the value of the flue-cured leaf declining approximately 50% in the last 6 years, I am committed to do everything in my power to help our tobacco farmers

recover from the quota cuts that they have had to deal with through no fault of their own.

I strongly support a buyout based on the 1998 quota. In 1998, Georgia total tobacco quota was 85 million pounds. As of 2002, quota has been cut to 60 million pounds. This is a reduction of 25 million pounds. Based on a \$8.00/\$4.00 buyout, this represents a difference of \$200 million for quota owners, and a difference of \$100 million for growers in Georgia. As you can see, the 1998 buyout represents a difference in the livelihood of these tobacco growers and the communities that depend on them. I have made a commitment to the tobacco growers in Georgia that I will strongly support a buyout based on 1998 quota. I stand by that statement and I hope that the members of this committee and the U.S. House of Representatives as a whole will support it.

I would also like to focus the committee's attention on another matter to which I have pledged my support. The tobacco quota owners and producers are not the only individuals directly affected during the 1998 quota cuts. Tobacco warehousemen, who depended solely upon the sale of tobacco for their income, and who receive their income based on a commission, suffered a loss of revenue. These warehouses are only used for the sale of tobacco and must undergo an inspection each year to make sure they meet all of the physical qualifications necessary to be allowed to market tobacco. Because they are specialized to meet the needs of tobacco, they ran into big financial problems when the product they marketed suddenly disappeared.

In addition to dealing with a reduced tobacco supply, warehousemen have also had to compete with national tobacco companies. Many farmers are contracting directly with the companies and bypassing the tobacco warehouse. These warehouses created and performed an essential marketing service for both tobacco growers and tobacco companies in the past. They served as the middleman who bargained to guarantee a higher price for the farmer through an auction system. However, since the major tobacco companies began directly offering growers contracts 3 to 4 years ago, most auction markets have closed or have cut back dramatically on their services to farmers. Now these once prosperous facilities stand empty, with many located just off the town square.

In 1998, Georgia had 23 tobacco warehouses. That number is now down to four. The owners of tobacco warehouses have also been directly affected by the quota cuts and should be given full consideration.

Mr. Chairman and members of the committee, in closing, I would like to stress the importance of providing a future for the tobacco industry. Immediate action is needed for our farmers, quota owners, and warehousemen who deserve a tobacco buyout based on the 1998 quota, IN THE YEAR 2003. They have been treated unfairly because of decisions made by government bureaucrats and I am asking the members of the House Agriculture Committee to step up to the plate. My colleagues know that I am a fiscal conservative and there are very few things I dislike more than wasteful government spending. This would not be a waste of government money. I firmly believe that this is a worthy cause. By passing a tobacco buyout we are not only helping to make our farmers whole, we are making our rural communities whole. They need assistance soon and it is time we offered it.

Mr. Chairman, I thank you again for your time and I look forward to working with the committee to make a tobacco buyout a reality this year.